Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of	)	
	)	
Interconnection and Resale Obligations	)	CC Docket 94-54
Pertaining to	)	
Commercial Mobile Radio Services	)	

Comments of AirTouch Communications, Inc.

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June 14, 1995

Table of Contents

		Page
Summary		iii
I.	Introduction	1
II.	Mandatory CMRS interconnection rules would impede efficient interconnectivity of CMRS networks.	2
	A. CMRS providers do not have market power with regard to the interconnection of CMRS calls.	4
	B. There is no risk of anti-competitive behavior with regard to CMRS to CMRS interconnection in the absence of CMRS market power.	6
III.	No regulation of roaming is warranted.	10
IV.	Resale obligations should be equitably applied to all broadband CMRS providers, with no requirements to resell to facilities-based competitors.	15
	A. The reseller switch proposal should not be adopted.	19
V.	State-imposed interconnection obligations should be preempted.	23
VI.	Conclusion	27

Summary

In these Comments, AirTouch Communications, Inc. ("AirTouch") points out that competitive market forces rather than complex regulations will best meet the Commission's goals of competition and diversity in the CMRS marketplace. Mandatory CMRS interconnection obligations would only restrict carriers' flexibility in creating more efficient and beneficial agreements. Direct CMRS-CMRS connection involves calls that flow two ways and it is in the best interest of both CMRS providers to negotiate in good faith to find the most equitable and financially viable arrangements. CMRS providers do not have market power with regard to interconnection of CMRS calls because there are alternate paths, including wireline LEC facilities, to interconnect that can always connect CMRS networks. In addition, the LEC interconnection charges used by CMRS networks are gradually decreasing and thus ensure that CMRS providers can not manipulate interconnection costs as a competitive tool against other CMRS providers.

Similarly, regulation of roaming agreements is not merited because CMRS parties equally depend on beneficial negotiations to be able to satisfy their subscribers' needs. Market forces will continue to drive the development of voluntary, value-enhancing relationships such as roaming agreements and various types of interconnection arrangements without unnecessary regulatory intervention. Individual market participants are in the best position to find a balance between the needs of their customers and the costs and risks of new services agreements and implementation.

In keeping with Congress' goals for achieving regulatory parity, resale obligations should be applied to all broadband CMRS providers, but there is no need to require cellular carriers to resell to their new facilities-based competitors. A competitive environment will naturally create an incentive for CMRS providers to allow resale by most others, including PCS licensees, since they will become an attractive potential source of revenue to existing cellular licensees without the need for government involvement.

AirTouch also strongly opposes the reseller switch proposal. Mandatory connection to a reseller switch will not create any new capacity but rather will inhibit real, innovative facilities-based competition by allowing resellers to benefit at the cost of carriers and their customers. Only resellers would reap the benefits, leaving facilities-based carriers with higher costs, customers with higher prices, and reduced incentives to create new services.

State imposed reseller switch interconnection obligations must be preempted by the FCC because it is basically a form of rate regulation that has been preempted pursuant to the Omnibus Budget Act of 1993 and recent FCC decisions, and because such state requirements are otherwise inconsistent with FCC policies.

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I. Introduction

AirTouch Communications, Inc. ("AirTouch") is filing these Comments in response to the Commission's Second Notice of Proposed Rulemaking ("SNPRM") in the above captioned proceeding. The Commission's goals of full and fair interconnection, meaningful competition and diversity are best achieved through market forces, not new mandatory regulatory obligations. The existence of multiple Commercial Mobile Radio Service ("CMRS") competitors in each market creates both broad interconnection choices and opportunities, as well as significant technical and market complexities. Under these circumstances, additional regulatory requirements are neither necessary nor likely to result in more efficient arrangements.

Commissioner Barrett's Separate Statement in this proceeding correctly articulates the need for different approaches to different market conditions:

> Where interconnection obligations with bottleneck BOC LEC facilities are important, I believe the Commission should impose the appropriate regulatory remedy to address this market. Where there is no issue of

> interconnection to bottleneck facilities for transport and switching, then I believe there is a higher burden to justify such regulatory requirements between CMRS providers, and between resellers and CMRS providers.

Forbearing from regulating interconnection relationships in a competitive market will provide all parties with the flexibility needed for the market to develop the most economical and technically appropriate solutions available. Such freedom is especially important as the market changes and grows rapidly, and as technological requirements constantly change. Both roaming and resale arrangements should also be left to voluntarily, mutually beneficial requirements without the need for unnecessary regulatory requirements which may impede adoption of new, creative and efficient solutions.

II. Mandatory CMRS interconnection rules would impede efficient interconnectivity of CMRS networks.

Section 201 of the Communications Act of 1934 requires common carriers (including CMRS providers) to furnish communication services to others, including other CMRS providers, upon reasonable request. Denial of such services including interconnection services is permitted where such interconnection would be inefficient (i.e., more costly than an alternative) and thus unreasonable.[1] Commission intervention in interconnection disputes is available, where necessary, on a case-by-case basis in Section 208 complaint proceedings.

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[1] The Commission can also, in certain circumstances and "after opportunity for hearing," require the establishment of "physical connections with other carriers." See, e.g., Section 201(a) of the Communications Act.

The absence of specific regulatory requirements serves the public interest because the freedom granted to competing carriers allows them to create innovative, value-enhancing relationships while not exposing CMRS subscribers to the risk that they will be unable to interconnect with CMRS subscribers on other networks. This is because all CMRS networks are and will continue to be interconnected through the landline public switched telephone network ("PSTN"). On the other hand, direct CMRS interconnection will take place automatically and voluntarily where sufficient traffic is exchanged, and when the benefits outweigh the costs. The market is ideally suited to evaluate these cost/benefit trade-offs without incurring any administrative expense or delay. In contrast, mandated interconnection requirements will likely result in inefficient, out-dated interconnection relationships without the ability of the market to correct itself.

For these reasons, AirTouch strongly supports the Commission's tentative conclusion that CMRS market conditions do not warrant broad interconnection obligations at this time. Relevant to this conclusion, AirTouch will discuss below two issues on which the Commission is seeking additional analysis: do CMRS operators have market power in the relevant market, and does the public interest require mandatory interconnection rules even if CMRS providers lack market power?[2]

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[2] SNPRM at para. 33.

A. CMRS providers do not have market power with regard to the interconnection of CMRS calls.

The relevant market definition with respect to interconnection of calls between CMRS networks is all two-way switched voice wireline local exchange and commercial mobile service providers.[3] The product at issue is connectivity between various CMRS networks, and there are both wireline and wireless facilities available to provide this connectivity. It should be noted that this market definition for interconnection between CMRS networks is different from the relevant product market for consumers of commercial mobile services because, given the differences in price and use, wireline and wireless services are not generally substitutes today in the consumer market.

In contrast, direct (CMRS to CMRS) and indirect (CMRS to LEC to CMRS) interconnection between CMRS networks offer directly comparable alternatives for transporting the same call.[4] A CMRS provider could not price a CMRS competitor out of the market through excessive direct interconnection charges because the competitor could simply interconnect through the LEC. The route chosen by the CMRS competitor is transparent to the end user.

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[3] This definition corresponds to the first of the three alternatives set forth in the NPRM, 9 FCC Rcd 5408, 5425 (1994).

[4] Economists define product markets for antitrust purposes as the smallest set of products capable in principle of being profitably monopolized. See, e.g., Declaration of Dr. Bruce Owen, Exhibit A of Comments of McCaw Cellular, in the first NPRM/NOI of this Docket, at page 10. ("If a price increase by a hypothetical single firm would be unprofitable because consumers would switch in significant numbers to other products, then the market has been defined too narrowly for antitrust analysis.") Under this definition, LEC and CMRS interconnection must be defined as a single product market.

In light of the direct substitutability between LEC and direct CMRS interconnection, no CMRS provider has market power. Total billable mobile minutes of use constitutes less than 0.013 percent of total U.S. conversation minutes for 1993.[5] Of those total mobile minutes, the number of mobile to mobile calls constitutes an insignificant percentage of the total.[6] For that small percentage of mobile calls coming from another mobile subscriber, the negotiating position of the two carriers would be balanced. It is unlikely in the competitive CMRS market that calls between two carriers would flow only one way, i.e., that one mobile carrier would send a far greater percentage of its traffic to another mobile carrier than it would receive. If subscribers of one network are calling subscribers of another, they are likely to be receiving calls from those subscribers as well. If one carrier attempted to extract excessive profits for terminating CMRS calls, the originating CMRS network could do likewise. But neither would gain an economic benefit, because indirect interconnection through the LEC is available. There are no economic incentives to avoid direct interconnection between CMRS providers where it is cheaper than interconnecting through the LEC.

As CMRS providers proliferate and demand grows, the number of mobile-to-mobile calls are likely to grow as well, resulting in more direct interconnection agreements. Direct

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[5] Trends in Telephone Service. Industry Analysis Division, Common Carrier Bureau, February 1995 and data from the Cellular Telecommunications Industry Association for 1993.

[6] On average, AirTouch Cellular estimate that its mobile to mobile calls constitute less than 3% of total mobile minutes of use.

connection is not widespread today because the traffic levels between CMRS providers is generally too low to justify the costs. The increase in the overall number of CMRS providers in a market through the award of PCS and ESMR licenses further reduces the likelihood that any single provider would terminate such a significant number of its rivals' calls to pose a competitive threat if direct interconnection were denied. To the extent that there is significant mobile-to-mobile traffic to justify direct connections between CMRS providers, those connections will benefit both carriers and need not be governmentally mandated. There is no evidence that CMRS carriers have been reluctant to negotiate direct interconnection or have acted anti-competitively.[7]

The relevant geographic market for CMRS interconnection is the serving area of the licensee.[8] CMRS providers who chose to directly interconnect from different geographic markets do not compete with each other and thus would have no incentive to try to gain some advantage over the other through anti-competitive pricing behavior.

B. There is no risk of anti-competitive behavior with regard to CMRS to CMRS interconnection in the absence of CMRS market power.

As discussed above, a CMRS provider could not use interconnection rates as a competitive tool. CMRS providers do not control facilities that are essential for rivals to

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[7] Issues raised by resellers concerning their erroneous claims of consumer benefits and carrier misbehavior are discussed in Section IV of these Comments.

[8] NPRM, 9 FCC Rcd at 5439.

compete successfully.[9] The Commission suggests that if indirect interconnection to the LEC were more expensive than direct interconnection, a CMRS provider could raise a rival's cost by denying the direct interconnection. Such an outcome is highly unlikely given the trends in LEC interconnection charges, the multiplicity of CMRS operators, and the CMRS providers' economic incentives to increase rather than discourage traffic on their networks. In short, a CMRS provider attempting to raise a rival's cost for interconnection would be raising its own costs as well.

Interconnection costs to LECs are generally declining and are likely to continue declining. There are three sources of this downward pressure on LEC charges. First, LEC costs per minute are declining as new technologies are deployed with greater efficiencies and lower long-term costs. Improvements such as digital technologies, fiber optics, and out-of-band signaling provide increased capacity and lower maintenance costs. These declining costs have resulted in steadily declining interconnection charges for AirTouch Cellular in the contracts it has negotiated with.

Second, costs for interconnecting, switching, and terminating traffic will continue to decline as new competitors enter the local exchange markets, bringing the efficiencies and pricing pressures of a competitive market. AirTouch Cellular has recently begun interconnection negotiations with members of the Competitive Access Provider ("CAP") industry who are eager to fill their newly established networks with high volume trunked

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[9] Second Report and Order, 9 FCC Rcd 1411, 1499 (1994).

traffic such as that leaving cellular switches. CAPs can pass on to CMRS providers the volume discounts and unbundled network access they obtain from LECs, resulting in further decreases in interconnection prices.

Third, cellular carriers have not yet obtained mutual compensation agreements with LECs, but such agreements are likely to be made as a result of future negotiations. Mutual compensation should significantly reduce CMRS-LEC interconnection costs because currently CMRS providers pay interconnection charges both for terminating and originating traffic to and from LECs. By eliminating the charges for LEC traffic terminating on CMRS networks, and converting those charges to income for CMRS providers, overall interconnection costs for CMRS networks will decline. Factors promoting mutual compensation include the inroads made by the CAPs in negotiating workable "bill and keep" contracts for traffic exchanged between two local networks, which serve as a valuable model for similar cost effective agreements between LECs and CMRS providers.[10] Additionally, the number of land-to-mobile calls has continued to rise as cellular rates fall, the number of cellular subscribers grows, and "calling party pays" becomes more widespread, raising the value of mutual compensation agreements to CMRS providers in future negotiations.

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[10] See, e.g., Phillips Business Information's Mobile Phone News, "Rochester Tel Approaches New Frontier in Local Competition: Wireless Implications Include Interconnection, Compensation," (October 31, 1994, at page 5).

These factors that are contributing to declining LEC interconnection charges also indicate that LECs will continue to play a central role in the universal connectivity of CMRS networks. While the overall growth and market structure of CMRS remains uncertain, the requirement that LECs provide cost-based interconnection to CMRS providers upon demand ensures that interconnection of all CMRS customers will continue to be available.

Direct interconnection agreements between CMRS providers bring benefits to each of the CMRS providers to the extent that the costs of such direct interconnection are less than indirect interconnection through the LEC. Of course, a sufficient level of traffic between two CMRS networks is needed in order for direct connection to be economical. In making that evaluation, a CMRS provider will consider the costs of installing and operating the direct trunks, switching software changes, billing and other administrative costs and the value of route redundancy provided by direct interconnection. Each agreement may be different, and new experimental arrangements are likely. As long as parties negotiate in good faith and do not discriminate against third parties, such variations will be beneficial. The critical point is that all CMRS providers have an incentive to drive down costs to remain competitive. Therefore, as soon as direct interconnection translates to reduced costs and improved service, CMRS to CMRS interconnection inevitably occurs.

III. No regulation of roaming is warranted.

The Commission should not impose mandatory obligations with regard to roaming capabilities, because the industry, in response to the marketplace, will certainly meet the roaming needs of PCS customers. Roaming is widely available on cellular networks because all carriers understand the value of roaming to their customers. Roaming serves many purposes, such as enabling operators to project a more expansive coverage area than they actually serve. Like interconnection decisions, both parties negotiating a roaming agreement generally stand to benefit by allowing their customers to make calls outside of their home service area.

Seamless roaming on cellular networks is accomplished through voluntary bilateral contracts between carriers, contracts that vary significantly depending upon the carriers involved. These contracts are needed to establish the rates a serving carrier will charge the home carrier to serve roaming customers from another market, the method by which subscriber data will be exchanged, the safeguards required to protect that data from improper use, and liability agreements for fraud and other risks. Both the privacy of customer data and the proprietary nature of the information are thus protected by carriers signing the contracts.

Independent database management companies have been established to serve as clearinghouse vendors for the carriers, providing a means of exchanging and updating

subscriber data, conducting the validation processes, and providing billing settlements among the carriers. These companies establish data links with carriers, obtain complete subscriber data needed to ensure roamers are valid customers, and maintain periodic updates.

Alternatively, carriers are increasingly using national SS7 networks based upon the IS-41 standard. Interconnection to these networks allows carriers to directly query one another's subscriber data, while continuing to use the database companies for billing settlements. Because cellular operators use switching systems from more than half a dozen manufacturers today, these national networks use interfaces to make the translations necessary for carriers to accommodate roamers from incompatible switching systems. Gateways between these national networks enable the exchange of data between carriers participating on different networks. These systems have evolved in response to the market demand for national seamless roaming and are fully able to accommodate new CMRS providers.

No Commission action is necessary to facilitate participation by PCS providers licensed at 1.8 Ghz in roaming on cellular networks. As long as PCS subscribers have dual-mode handsets capable of receiving cellular signals, PCS roaming will become widely available on cellular networks because of the competitive environment. Cellular licensees will have every incentive to negotiate roaming agreements with PCS licensees because the

additional roaming traffic from PCS subscribers on the cellular system will be a valued revenue source.

PCS licensees are also likely to develop separate arrangements among themselves to the degree such roaming agreements are cost effective and convenient to implement. Pacific Bell Mobile Services and Omnitel, for example, announced last month the first agreement between PCS licensees to permit roaming services for customers between their two systems in New York and California, and to collaborate in the development of national PCS standards.[11] Omnitel and PBMS service areas collectively cover about 20 percent the total U.S. population. PCS licensees may pursue such agreements as a substitute for PCS-cellular roaming agreements or as a complement to such arrangements.

In order for consumers to be able to roam between technically incompatible CMRS networks, several solutions are possible. Dual-mode handsets are currently available and are expected to proliferate. Such hand-sets will allow consumers to be served by a broader range of networks. Dual-mode and multimode handsets will be able to accommodate analog and digital cellular service, analog cellular and digital PCS service, digital terrestrial CMRS services and mobile satellite services, or several kinds of digital technologies. As the number and diversity of CMRS systems proliferate, the sophistication and capabilities of handsets will vary as well.

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[11] Phillips Business Information's Mobile Phone News, "Pacific Bell Mobile, Omnipoint Forge PCS Roaming Agreement," (June 5, 1995, at pages 1, 8).

Marketplace incentives also ensure that other technical solutions will be developed within networks to enable subscriber handsets to access noncompatible systems. Network-based solutions would enable consumers to purchase less expensive, single-mode handsets which may facilitate more rapid penetration of PCS. Whether such network-based conversions will be cost effective will depend upon the evolution of PCS and other CMRS networks yet to be built, technology breakthroughs, future generations of digital standards, global mobile satellite systems, and other yet to be determined factors. It is premature to determine whether demand for such capabilities will exist relative to the costs of implementation. The elegance of a fully competitive market is that companies will adapt their services to the needs of their customers rather than be inhibited by inflexible rules based upon out-dated preconceptions about market developments.

In addition to the technological uncertainties of the CMRS market, other considerations support market-driven solutions to roaming issues rather than regulatory requirements. Unnecessary requirements would in fact be detrimental to the market. For example, the significant problem of cellular fraud has required carriers to adjust their roaming agreements to temporarily suspend roaming contracts with some carriers in certain markets. Requiring roaming arrangements to continue in those circumstances would expose carriers to huge losses.[12]

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[12] Among other reasons, fraud exposure is increased in roaming situations because (1) carriers cannot generally utilize software that is available for use with local subscribers that can detect unusual calling patterns; (2) it is significantly more difficult for "serving" carriers (i.e., not "home" carriers) to suspend service to individual mobile numbers that are the subject of fraud rather than larger groups of mobile numbers; and (3) there may be delays in subscriber validations with some clearinghouses.

Industry solutions to roaming fraud have evolved as the number of subscribers has grown and methods used to fraudulently obtain service have changed. Cloning fraud, for example, may show a given mobile identification number/electronic serial number as valid for roaming purposes even though a valid customer is not using the service. Among the technological and market solutions under development are the use of Personal Identification Numbers, radio frequency "fingerprints", smart cards, and fraud pattern detection systems. Roaming agreements between carriers may depend upon the widespread adoption of such technologies or retrofitting of existing systems. Again the market will best achieve the right balance between the financial risks, customers inconvenience, and costs of roaming arrangements.

Diversity among CMRS providers has been encouraged by the Commission and is a hallmark of a competitive market, resulting in greater product differentiation and consumer choice. Just as the Commission chose not to dictate a particular PCS standard in order to allow the market to evolve efficiently, it should not adopt mandatory roaming obligations. Unnecessary regulatory requirements may slow this market evolution with unintended, seriously adverse economic consequences.

IV. Resale obligations should be equitably applied to all broadband CMRS providers, with no requirements to resell to facilities- based competitors.

The Commission's resale policies regarding cellular telephone service have served three interests. One, by prohibiting carriers from preventing resale of their services, the Commission has fostered a competitive retail market for cellular services. Two, by permitting the second cellular carrier to resell the services of their competitor for a specified period of time, the Commission reduced the headstart advantage of the B block carrier, allowing the second licensee to establish a market position more quickly. And third, by limiting the resale obligation to the build-out period of facilities-based competitors, the Commission encouraged the infrastructure investment required to expand coverage and capacity, and create a more competitive market.

Today, cellular carriers serve more than 25 million customers, with consumers enjoying the service improvements and price reductions provided by a competitive market. The competitive characteristics of today's CMRS market and the regulatory parity provisions mandated by the Communications Act require comparable resale obligations on all broadband CMRS licensees.[13] No justification exists for exempting the high capacity digital networks of emerging CMRS providers from the basic prohibition against resale restrictions imposed upon cellular carriers today.

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[13] See Second Report and Order, 9 FCC Rcd at 1413 and 1418 at footnote 29, "H.R. Rep. 103-213, 103rd Cong., 1st Session 494 (1993)(Conference Report). *See also* H.R. Rep. No. 103-111, 103rd Cong., 1st Sess. 259-60 (House Report). Congress intended these provisions of the Budget Act to create a system of regulatory symmetry."

There is no need to impose resale obligations on cellular providers for the benefit of PCS licensees such as those that were imposed in the early days of cellular licensing for the second cellular licensee in each market. PCS licensees eager to establish a customer base quickly through aggressive marketing represent a highly attractive revenue source for cellular carriers, who compete vigorously with one another for increased market share. The competitive environment creates the incentive for a vibrant resale market. While resale should not be foreclosed where carriers would mutually benefit from a resale arrangement, such negotiations should be left to the market participants and not be the result of governmental mandates. Such an approach has the additional advantage of avoiding the administrative complexities that would otherwise occur to determine what percentage of service area overlap will trigger resale obligations on specific carriers, and other complex issues, such as number portability.

Although resale by facilities-based competitors should not be mandated, it should be permitted only for so long as it is necessary to promote competition and investment in infrastructure. The Congressional policy of encouraging the award of new wireless licenses through spectrum auctions focused on the substantial benefits of creating additional independent, facilities-based competitive networks. Auctions were authorized to allocate scarce spectrum resources more efficiently, and to bring needed revenues to the U.S. Treasury. Risky innovations and aggressive investments will not occur in this

industry if license holders are allowed merely to "piggy-back" on the infrastructure investments made by their competitors.

For these reasons, if resale of cellular services to PCS licensees serving the same market is required, it should not extend beyond the initial build-out period needed to begin any of the PCS carrier's operations. Build-out requirements must be met in order to insure that spectrum resources will be fully utilized and not warehoused for anti-competitive purposes. The result will be a more competitive, fully developed CMRS marketplace.

The public interest also would not be served by imposing mandatory resale obligations on paging and narrowband PCS licensees for several reasons: (a) in light of the marketplace for paging and narrowband PCS services being highly competitive with relatively few barriers to entry, resale is not needed to promote competition, (b) licensees already engage in such practices when and if they are efficient without such mandatory obligations, and (c) mandatory resale is not required by the Communications Act of 1934.

Mandatory resale obligations are not required to promote competition in the paging and narrowband PCS industry. As the Commission itself observed, the market for paging and narrowband PCS service is highly competitive with at least five to as many as fifteen operators in each market. In addition to the large numbers of channels available, the paging industry has also been gradually increasing the capacity of its systems. The fastest technology, Flex, promises to support up to 600,000 digital display subscribers on a

single channel. With the number of channels and the increased capacity, there is a significant amount of capacity available. Simple economics suggests that when there is a significant abundance of capacity, prices will drop, and resale activities will increase. This is in fact what has occurred. The average monthly per pager revenue has dropped over 50% from 1987 to present.

Because of the highly competitive nature of paging and the abundance of capacity, the paging industry allows resale when it makes sense. Resale permits carriers to expand the marketing of their services to a broader segment of the public than the carrier could do otherwise. In addition, a mandatory resale obligation is not necessary to continue either the vigorous competition already existing in the market or to ensure that companies wishing to sell paging service have an opportunity to do so. If a new entrant wants to provide service, and one competitor does not permit resale, the other half dozen or more undoubtedly will.

Mandatory resale is also not required to ensure that the paging and narrowband licensees comport with their Communications Act responsibilities to not change "unjust and reasonable rates" and are not "unreasonably discriminating". The competitive environment of the paging and narrowband PS industry will require that carriers not charge unjust or unreasonable rates. A reseller faced with such a situation could either change carriers, or construct its own system. A carrier could not unreasonably discriminate against a reseller without a significant economic impact on itself.

Accordingly, the Commission should not impose any mandatory resale obligations on paging or narrowband PCS licensees.

A. The reseller switch proposal should not be adopted.

AirTouch strongly supports the Commission's tentative conclusion that the reseller switch proposal should not be imposed at this time.[14] Requiring interconnection of reseller switches is not an action "necessary or desirable in the public interest," triggering the duties imposed by Sections 332(c) and 201(a) of the Communications Act. To the contrary, interconnection obligations for the benefit of switch-based resellers would be contrary to Commission goals of enhanced competition and infrastructure investment. No new real competition will occur from such reseller switches, as it will only result in higher costs and no new capacity.

Mandatory reseller access to unbundled carrier services is fundamentally anti-competitive because it undermines the competitive incentive to take risks, invest aggressively, and develop technically sophisticated networks. It is also inconsistent with Congressional policy, as reflected by the OBRA, that there should be "a general preference in favor of reliance on market forces rather than regulation."[15]

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[14] NPRM, 9 FCC Rcd at 5449.

[15] Report and Order (PR Docket No. 94-105), adopted May 5, 1995; released May 1995 at para. 5.

Fundamentally, imposition of the reseller switch proposal would result in harmful government interference in a competitive market. If switched-based resellers propose mutually beneficial arrangements, carriers will pursue them in order to remain competitive. To the extent the proposals benefit only resellers, however, the result will be higher prices and a reduction in services. The Commission will become mired in interconnection and pricing disputes, with no demonstrable benefits to consumers.

The reseller switch proposal would permit resellers with no investment in the network infrastructure of FCC licensees to directly access those networks on favored terms. By requiring resellers to have access to carrier-created investments in spectrum, transmission facilities, and the switching intelligence to locate, carry, hand-off, and track mobile calls, the Commission would create an unprecedented chill on future industry investments and innovation. This too would be inconsistent with Congress' intent "to prorate rapid deployment of a wireless telecommunications infrastructure. Robust investment is a prerequisite to achieving that goal.[16]

As discussed in AirTouch's Comments and Reply Comments in the First NPRM in this proceeding, the economic viability of reseller switches requires unbundled, cost-based rates. The resellers define as reasonable only those rate structures based upon cost causation principles.[17] As established in the record of this docket, however, fully

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16 Id at para. 20.

17 NCRA Comments at 17; CSI/ComTech Reply Comments at 3-4.

distributed cost-based pricing for competitive industries is inefficient and prevents carriers from responding to the market through price changes.[18] Arbitrary cost allocations between integrated components of a service limits economies of scale and scope, and increases the overall cost of service.

These extensive and unproductive regulatory costs of unbundling are wholly unwarranted for a competitive industry, diverting resources of both regulators and carriers better spent addressing market demands. Moreover, reseller switches do not result in increased competition or lower prices for consumers. Interconnection of reseller switches would also impose costs on carriers beyond simply adding additional trunks, terminating equipment and software upgrades.[19] The coordination of multiple interfaces and protocol connectors would require ongoing technical maintenance and support, increasing both labor costs and network vulnerability. Additionally, customers served by a reseller switch would need special accommodation for such features as law enforcement access for call interceptions, enhanced 911 call information, priority access calls, fraud controls, and some enhanced services.

The Commission also seeks comment on whether it is anomalous to establish an interconnection obligation for the benefit of switch-based resellers alone and not for other

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[18] See AirTouch Reply Comments, Appendix 1, Testimony of Dr. Jerry Hausman.

[19] NCRA proposes that parties requesting the interconnection pay those costs directly related to interconnection. See SNPRM at para. 25.